

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 PA-04 PRS-01 USIA-15 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01

OMB-01 FEA-02 EPA-04 CEQ-02 FPC-01 DRC-01 ( ISO ) W

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R 220917Z MAY 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2026

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS TOKYO 6677

E.O. 11652: N/A

TAGS: ENRG, ECON, JA

SUBJECT: UTILITY COSTS RISE IN JAPAN

REF: TOKYO 4470

SUMMARY: EFFECTIVE JUNE 1, JAPANESE ELECTRIC UTILITY RATES WILL BE INCREASED BY ABOUT 29 PERCENT FOR CONSUMERS AND 74 PERCENT FOR INDUSTRIAL USERS. GAS UTILITIES HAVE ALSO APPLIED FOR SUBSTANTIAL RATE INCREASES. END SUMMARY.

1. GOJ GAVE FINAL APPROVAL MAY 21 TO SUBSTANTIAL INCREASES IN RATES OF THE NINE MAJOR ELECTRIC UTILITY COMPANIES IN JAPAN. COMPANIES HAD REQUESTED THE INCREASES IN EARLY MARCH (SEE REFTEL) CLAIMING THAT AS RESULT OF INCREASED FUEL OIL COSTS WHICH NOW CONSTITUTE ALMOST HALF OF THEIR TOTAL COSTS, AND HIGHER CONSTRUCTION AND WAGE COSTS, THEY WERE TOGETHER LOSING \$10 MILLION PER UNCLASSIFIED

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DAY. IN PRE-ELECTION PERIOD, GOJ DELAYED INCREASES FOR

AS LONG AS POSSIBLE, BUT DECISION FINALLY MADE ALLOW  
INCREASES EFFECTIVE JUNE 1.

2. INCREASES IN ELECTRICITY COSTS WILL AVERAGE 57 PERCENT  
ACROSS THE BROAD, BUT WILL BE APPLIED ON AN UNEVEN BASIS.  
HOUSEHOLD CONSUMERS WILL BE AFFECTED LEAST WITH RATE  
INCREASES AVERAGING 29 PERCENT. HOUSEHOLD CONSUMERS WILL  
ALSO BENEFIT FROM NEW RATE SCHEDULE EMPHASIZING CONSER-  
VATION. EACH KWH UP TO 120 PER MONTH WILL COST YEN 12.20;  
EACH KWH BETWEEN 120 AND 199 WILL COST YEN 15.45; AND  
EACH KWH OVER THAT AMOUNT PER MONTH WILL COST YEN 16.95.  
INDUSTRIAL CONSUMERS ON THE OTHER HAND WILL BEAR  
HEAVIER WEIGHT WITH RATE INCREASES TO AVERAGE  
ABOUT 74 PERCENT OVER PRESENT LEVEL. RATE HIKES WILL  
ALSO VARY SOMEWHAT BY AREA WITH HIGHEST JUMPS IN TOKYO  
AND NAGOYA AREA (AVERAGING 63 AND 72 PERCENT RESPECTIVELY).

3. IN DISCUSSING RATE INCREASES, MITI REPORTEDLY MADE  
CLEAR TO COMPANIES THAT THEY WOULD NOT BE ALLOWED TO  
RAISE RATES AGAIN NEXT YEAR IF INFLATION, FOREIGN EX-  
CHANGE RATE, AND OIL COSTS REMAINED WITHIN TOLERABLE  
LIMITS.

4. NATURAL GAS UTILITIES HAVE ALSO BEEN SEEKING  
HIGHER RATES. ON MAY 17, GOJ ALLOWED ONE COMPANY, TOHO  
GAS, TO RAISE PRICES BY 40 PERCENT. TOKYO GAS SUBSE-  
QUENTLY ANNOUNCED THAT IT WILL SOON FILE FOR INCREASE  
OF 65 PERCENT. OTHER GAS COMPANIES WILL UNDOUBTEDLY  
FOLLOW SUIT.

5. ECONOMIC PLANNING AGENCY HAS ESTIMATED THAT POWER RATE  
INCREASE WILL ADD 0.56 PERCENT TO CONSUMER PRICE INDEX  
AND 1.01 PERCENT TO WHOLESALE PRICE INDEX.  
SHOESMITH

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